

## Message Text

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ACTION INR-07

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R 050742Z AUG 76

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 6596

INFO ZEN

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY SOFIA

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: EIND, ELTN, HU

SUBJ: AUTOMOTIVE INDUSTRY (C-ER-6-50147)

REF: STATE 172560

THE REMARKS BELOW ARE KEYED TO PARAS IN REFTEL.

A. THERE IS NO AUTOMOTIVE ASSEMBLY INDUSTRY IN HUNGARY. THE ROAD VEHICLE INDUSTRY EMPLOYES 45,000 PEOPLE AND CONCENTRATES ON ENGINES, BUSES AND VEHICLE PARTS FOR USE BY OTHER CEMA COUNTRIES (REAR AXLES AND GEAR BOXES FOR BUSES AND NUMEROUS PARTS FOR LADA-ZSIGULI ARE SHIPPED TO USSR; BUS ELECTRICAL EQUIPMENT, REAR AXLES, POWER EQUIPMENT STEERING UNITS AND PISTONS, ALONG WITH FIAT-126 PARTS TO POLAND; PISTONS, ELECTRICAL EQUIPMENT AND PARTS FOR AGRICULTURAL MACHINES TO GDR; REAR AXLES TO CZECHOSLOVAKIA; AND DIESEL MOTORS TO ROMANIA).

K1) IN 1976 HUNGARY IS EXPECTED TO PRODUCE 11,000 BUSES, OF WHICH 9,000 ARE EARMARKED FOR EXPORT; TOTAL PRODUCTION IS PLANNED TO RISE TO 13,000 BY 1980. NINETY PERCENT OF BUS EXPORTS IN 1976 WILL GO TO SOCIALIST COUNTRIES, WITH MOST OF THE BALANCE TO THE MIDDLE EAST AND LATIN AMERICA. FOR ADDITIONAL DETAILS WASHINGTON AGENCIES ARE REFERRED TO FREQUENT LIMITED OFFICIAL USE

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PRESS ARTICLES IN VILAGGAZDASAG, FIGYELO, AND

NEPSZABADSAG, AND TO THE HUNGARIAN STATISTICAL YEAR-BOOK, FOREIGN TRADE STATISTICAL YEARBOOK, AND MONTHLY STATISTICAL BULLETIN. EMBASSY BUDAPEST IS FORWARDING A PACKET OF PRESS CLIPPINGS AND STATISTICS TO EUR/EE FOR TRANSMITTAL TO INTERESTED AGENCIES.

(2) HUNGARY HAS A JOINT VENTURE WITH VOLVO FOR PRODUCTION OF THE LAPPLANDER "JEEP" FOR SALE IN THIRD MARKETS. TO DATE SIX PROTOTYPES HAVE BEEN TURNED OUT.

(3) HUNGARY PRODUCES DIESEL ENGINES UNDER A LICENSE FROM MAN (WEST GERMANY). AUTHORITIES HOPE THAT PRODUCTION WILL REACH 30,000 UNITS ANNUALLY BY 1980.

(4) AS REPORTED IN BUDAPEST A-61 TOTAL REGISTRATION OF PASSENGER CARS AS OF 12/31/75 WAS 580,000 UNITS. HISTORICAL DATA ON VEHICLE REGISTRATION CAN BE OBTAINED FROM THE U.S. DEPARTMENT OF COMMERCE PUBLICATION "WORLD MOTOR VEHICLE AND TRAILER PRODUCTION AND REGISTRATION".

(5) THE EMBASSY IS POUCHING TO EUR/EE DETAILS OF CAR REGISTRATION, BY TYPE, FOR 1972-1973-1974. TRABANTS AND ZSIGULIS (LADAS) LEAD THE WAY WITH MORE THAN 85,000 UNITS EACH. THE POUCHED DATA ALSO COVERS TIRE PRODUCTION AND IMPORT FIGURES.

B. IT IS ESTIMATED THAT IN 1970 THE AVERAGE WAITING PERIOD FOR ALL PASSENGER CARS WAS ALMOST SEVEN YEARS. PRESENTLY, THE LARGER POLSKI FIAT (MODEL 1500) IS AVAILABLE WITH A DELAY OF ONLY A FEW MONTHS. ZSIGULIS CAN BE DELIEVRED WITHIN 10-18 MONTHS; BUT THE WAIT FOR TRABANTS, WARTBURGS AND SMALLER POLSKI FIATS IS 3-4 YEARS. PRICES RANGE FROM 50,000 FORINTS (TRABANT) TO 80-98,000 FORINTS (VARIOUS ZSIGULI MODELS). THE NUMBER OF GASOLINE STATIONS HAS RISEN GRADUALLY: 328 IN 1960; 415 IN 1970; AND 465 IN 1975.

C. SEE PARA E BELOW

D. AUTOMOBILE IMPORTS WILL MODERATE OVER THE NEXT FEW YEARS FOR SEVERAL REASONS: SOME DEGREE OF PENT-UP DEMAND HAS BEEN MET, AND THE HUNGARIAN QTE REGIME UNQTE HAS DIVERTED ITS PRIORITIES TEMPORARILY AWAY FROM GROWTH OF CONSUMER INCOME. THERE IS NO EVIDENCE WHATSOEVER THAT OIL PRICE HIKES HAVE BEEN A DIRECT REPEAT DIRECT LIMITED OFFICIAL USE

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FACTOR IN AUTOMOBILE IMPORT LEVELS. EMBASSY BUDAPEST HAS REPORTED ON THE HUNGARIAN GOVERNMENT'S INTENTIONS TO EMPHASIZE INVESTMENTS AND EXPORTS DURING THE CURRENT FIVE-YEAR PLAN. HIGHER ENERGY PRICES MOST CERTAINLY WERE MAJOR CONTRIBUTORS TO THIS POLICY, BUT THE EFFECT ON THE AUTOMOBILE INDUSTRY (SUCH AS IT EXISTS) PER SE IS ONLY INDIRECT. THE SLOWDOWN IN AUTOMOBILE IMPORTS SHOULD NOT BE SIGNIFICANT.

E. THE EMBASSY HAS NO RECORD OF ANY RECENT OFFICIAL HUNGARIAN STATEMENTS CONCERNING LONG-RUN POLICY ON THE USE OF LIQUID FUEL FOR PERSONAL TRANSPORTATION. RETAIL GASOLINE PRICES WERE LAST INCREASED BY 20 PERCENT IN AUGUST 1975, PRIMARILY TO REDUCE BUDGET SUBSIDIES. GIVEN THE AVERAGE MAGYAR CONSUMER'S DESIRE FOR A CAR, THE SIZABLE INITIAL OUTLAY REQUIRED, AND THE RELATIVELY LOW FUEL CONSUMPTION OF THE MODELS IMPORTED, GASOLINE PRICES PROBABLY AFFECT DEMAND VERY marginally, IF AT ALL.

F. HUNGARY IS TO SOME EXTENT EXPANDING ALL OF THE AUTOMOTIVE RELATED INDUSTRIES MENTIONED IN PARA F REFTEL. THE GOH QTE REGIME UNQTE HAS MADE NO DIRECT CONNECTION BETWEEN THESE PLANS AND THE AUTOMOTIVE INDUSTRY AS SUCH. EXPANSION PLANS IN RELATED INDUSTRIES REFLECT GOH POLICY TO INCREASE EXPORTS AND REDUCE IMPORTS.  
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